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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Federal-State Joint Board)
on Universal Service)

CC Docket No. 96-45

To the Joint Board:

DOCKET FILE COPY ORIGINAL

JOINT REPLY COMMENTS OF
NATIONAL SCHOOL BOARDS ASSOCIATION, AMERICAN LIBRARY
ASSOCIATION, INCLUDING THE AMERICAN ASSOCIATION OF SCHOOL
LIBRARIANS, A DIVISION OF ALA, NATIONAL EDUCATION ASSOCIATION,
CONSORTIUM FOR SCHOOL NETWORKING, COUNCIL OF CHIEF STATE SCHOOL
OFFICERS, EDUCATION LEGISLATIVE SERVICES, INC.,
NATIONAL ASSOCIATION OF INDEPENDENT SCHOOLS, NATIONAL
ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS, AMERICAN FEDERATION
OF TEACHERS, AFL-CIO, ASSOCIATION FOR THE ADVANCEMENT OF
COMPUTING IN EDUCATION, NATIONAL ASSOCIATION OF ELEMENTARY
SCHOOL PRINCIPALS, AMERICAN ASSOCIATION OF SCHOOL
ADMINISTRATORS, AMERICAN PSYCHOLOGICAL ASSOCIATION,
ASSOCIATION FOR SUPERVISION AND CURRICULUM DEVELOPMENT,
COUNCIL FOR AMERICAN PRIVATE EDUCATION,
COUNCIL FOR EDUCATIONAL DEVELOPMENT AND RESEARCH,
GLOBAL VILLAGE SCHOOLS INSTITUTE,
NATIONAL ASSOCIATION OF STATE BOARDS
OF EDUCATION, NATIONAL PARENTS AND TEACHERS ASSOCIATION,
UNITED STATES DISTANCE LEARNING ASSOCIATION,
AND CENTER FOR MEDIA EDUCATION

Summary

The joint commenters, representing a coalition of educational and library associations (the "Coalition"), urge Joint Board to act boldly and to resist narrow interpretations of the Telecommunications Act of 1996 (the "Act").

The Joint Board and the Commission should reject the comments of those parties that state that further study is needed before services can be provided to

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schools and libraries at a discount. The statute neither contemplates nor permits the Commission or the Joint Board to direct universal service issues to a collateral proceeding. In addition, the record already adequately describes the services that should be provided at a discount, and includes a rationale for including those services. Besides the Coalition's opening comments, many individual school districts and library associations have submitted material explaining their current activities and future needs. Therefore, the Joint Board should make initial recommendations so that the introduction of special services can begin as soon as possible.

We are also concerned because many of the commenters appear to have misconstrued the statute and the significance of the term "universal service." Under those other proposals, the Joint Board and the Commission would limit the amount of the universal service fund to the total cost of implementation of a particular network model and would develop a method of apportioning that amount among the states, similar to a block grant or voucher program. Schools would only get funding if they submitted plans that met criteria established by the Commission and implemented by state-level administrative bodies, and even then only if there were funding available.

Section 254(h), however, does not permit such an approach, for three reasons. First, Section 254 establishes an obligation to provide "universal service," not service to a selected group of schools and libraries. Second, Section 254(h)(1)(B) requires all telecommunications *carriers* to provide discounted services to schools and libraries "upon a bona fide request . . ." Some commenters have attempted to interpret "bona

fide," to mean "qualified," when it actually means merely "good faith" or "genuine."

And third, Section 254(h)(1(B) of the Act states that payment is to be made directly to the carrier out of the universal service fund, not to the institution requesting service. Nowhere does the Act mention the use of a grant process to decide which entities will receive funding or the issuance of vouchers entitling a school district to a certain dollar value of service.

We strongly object to those proposals that would require state-level review or compliance with a state-level plan. Such proposals would create a new cumbersome bureaucracy to do what local procurement procedures can do perfectly adequately; they would either inject the Commission and state public utility commissions directly into educational policy or constitute an unconstitutional delegation of federal authority; and they would impose new staffing requirements on schools and libraries, since each school and library district would have to prepare and update its application. Finally, such proposals would benefit only those schools and libraries that least need the benefits provided by the act, since affluent and many high density areas would be better-positioned to comply with all of the additional requirements of the state plans.

The Coalition's proposal, on the other hand, is superior because it will promote competition and is easy to administer.

Our proposal promotes competition in several ways. First, by allowing any service provider to bid for the right to serve a particular school or library district and ensuring that the winning bidder's costs will be recovered, the Coalition's plan will

promote the growth of alternative service providers. These providers will then be able to use their new school and library-based networks to expand service to nearby areas, in competition with incumbent providers.

Second, permitting aggregation on the broadest possible basis will also promote competition. Allowing pooling of demand through liberal aggregation rules will make the provision of advanced services to remote areas more economically feasible, thus expanding the reach of the serving providers, and encouraging competitors to bid.

Third, the Coalition's proposal enhances competition by making all services available at discounted rates. This will increase the range of service providers who can provide services and permit the rise of niche providers, who will compete with each other and with larger providers.

The Coalition's proposal also offers ease of administration. We propose that if a service is commercially available anywhere in the country, then there should be a rebuttable presumption that a school or library is eligible for that service at a discount. This approach would relieve the Joint Board and the regulators of the obligation of determining in advance what special services should be made available. Regulators would only have to make that determination with respect to a particular service in rare circumstances when the presumption was challenged.

In addition, the Coalition proposes no new requirements for local certification or state-level review. The existing contracting procedures used by the purchasing entity should be the only procedures required to make a request for service.

Finally, the cost of the Coalition's proposal is reasonable and within the range that Congress anticipated. The estimated cost of the proposal is on the same order of magnitude as the total cost of the current universal service mechanism.

The Joint Board should recommend that the Commission adopt rules in a timely manner that ensure that all eligible schools and libraries have access to the broadest permissible range of services, at prices that will deliver the benefits of advanced telecommunications technology nationwide.

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Introduction

The joint commenters, representing a coalition of educational and library associations (the "Coalition"), again urge the Joint Board to act boldly, by recommending that the Commission implement the universal service provisions of the Telecommunications Act of 1996 (the "Act") quickly and aggressively. Many in the

telecommunications industry would have the Joint Board find nothing in Section 254(h) but administrative burden and expense. The Board must resist narrow and pessimistic interpretations and ensure that the intent of Congress to provide affordable access to telecommunications for all schools and libraries is met. We urge the Joint Board to carefully consider the comments of Apple Computer Company, which largely conform to our own proposal and illustrate the kind of approach Congress had in mind.

I. THE JOINT BOARD SHOULD PROMPTLY IMPLEMENT THE INTENT OF CONGRESS TO PROVIDE FOR THE DELIVERY OF MODERN TELECOMMUNICATIONS TO SCHOOLS AND LIBRARIES.

The Coalition believes that it is time to act. Many studies have been done on the need for modern telecommunications in schools and libraries, and the time for study has passed. "No one disputes the benefits of providing special services to our Nation's classrooms and libraries." Comments of the United States Telephone Association ("USTA") at 6. Congress recognized these facts in adopting the Snowe-Rockefeller-Exon-Kerrey Amendment and it is now up to the Joint Board and the Commission to implement the intent of Congress as quickly as possible.

**A. Further Study To Identify Services
Subject to Discounted Rates Is Unnecessary.**

We are troubled by the comments of a number of parties, which state that further study is needed regarding the services to be provided to schools and libraries at a discount. For example, NYNEX calls for an "Education Telecommunications Council" which would develop proposals for schools to obtain access to new technologies, and assist the Commission in developing an "education vision" of the

telecommunications services schools and libraries should have. Comments of NYNEX at 20-21. Time Warner Communications Holdings, Inc. states that the question of which services should be provided should be addressed in a separate proceeding. Comments of Time Warner at 16. And Sprint Corporation argues that "it is premature to rule on what additional or advanced services should be supported." Comments of Sprint at 23. Other commenters have made similar statements, all of which add up to substantial delays in implementation.

Further delay is unwarranted. The Coalition's proposal already adequately describes the services that should be provided at a discount, and includes a rationale for including those services. The Joint Board may propose a different approach to the Commission, but that does not mean it does not have the information it needs. For example, the KickStart Report attached to our original comments and cited approvingly by Bell Atlantic and several other commenters provides much relevant information. And many individual school districts and library associations have submitted material explaining their current activities and future needs. We are confident that the Joint Board has an ample record on which to proceed.

B. Congress Called for the Joint Board To Make Recommendations and the FCC To Adopt Regulations Promptly and in this Proceeding.

The statutory text simply forecloses the use of a separate proceeding. Congress directed the Joint Board to make its recommendations within nine months after the enactment of the 1996 Act, and specifically stated that "[t]he Commission shall initiate *a single proceeding* to implement" the Joint Board's recommendations, to be completed within 15 months after enactment of the 1996 Act. Section

254(a)(2) (emphasis added). The law allows no time for the Joint Board to enter into extended deliberations over the definition of "special services," and does not allow the Commission to bifurcate the proceeding or delegate part of its authority to a separate standard-setting body.

In addition, Congress did not order a detailed study of the benefits of technology or what capabilities schools and libraries should have. What Congress did order is the implementation of a plan to deliver modern telecommunications services to schools and libraries everywhere in the country. Therefore, although Congress expects the matter to be reviewed periodically because universal service is defined as an evolving level of service, the Joint Board should make initial recommendations so that the introduction of special services can begin as soon as possible. If the Commission establishes a separate body to make recommendations, or splits the issue of what services to provide off into a separate proceeding, the implementation of the intent of Congress will be delayed for years.

Thus, there is no justification in law or fact for any further delay.

C. A Number of Commenters Have Identified Services To Be Provided to Schools and Libraries, Indicating that the Joint Board and the Commission Will Have Ample Information on which To Base a Decision.

In addition to the Coalition, several commenters have identified particular services that should be made available to schools and libraries. For example, US West proposes that schools and libraries be provided with 56/64 Kbps circuits and toll-free access to an Internet service provider. Comments of US West at 22-23. BellSouth recommends including voice-grade circuits connecting schools and libraries to the

public switched telephone network, and up to 1.544 Mbps circuits for voice, data, video and imaging services. Comments of BellSouth at 19. We support the provision of all of these services to schools and libraries at a discount, although we do not believe either proposal goes far enough. For more comprehensive lists of services, see the comments of the Wisconsin Department of Public Instruction at p. 1, and the comments of Apple Computer Company at p. 4. In any event, the fundamental point on which we agree with US West and BellSouth is that further study is not necessary: The Joint Board should act based on the record before it.

II. THE TELECOMMUNICATIONS ACT ESTABLISHED AN OBLIGATION FOR CARRIERS TO PROVIDE AFFORDABLE UNIVERSAL SERVICE TO EVERY SCHOOL AND LIBRARY ON DEMAND, NOT A BLOCK GRANT OR VOUCHER PROGRAM THAT WOULD ONLY BENEFIT SELECTED INSTITUTIONS.

Many of the commenters appear to have misconstrued the statute and the significance of the term "universal service." The traditional goal of universal service has been to try to provide every American who wanted it with residential telephone service at a just and reasonable rate. In other words, "universal" means "available to all." Section 254 of the Act continues this tradition. First, it expands the definition of universal service in the residential context to allow the Commission to include certain new services in the group of subsidized core residential services that will now constitute "universal service;" and second, it extends the concept of universal service to include schools and libraries, including special services designated by the Commission. Congress clearly meant to provide special services to every school upon request.

The co-sponsors of Section 254(h), Senators Snowe, Rockefeller, Exon and Kerrey, have made this point clear in their letter to Chairman Hundt of April 24, 1996 (attached as Exhibit A): "To fulfill the intent of the law, every school and library submitting a bona fide request deserves a significant, real, and meaningful discount that ensures classrooms and libraries access to the information superhighway." (emphasis added).

A. Section 254(h)(1)(B) Requires Carriers To Provide Services Directly to all Schools and Libraries at Discounted Rates, Provides for Payments only to Carriers, and Does Not Permit the Use of a Grant-Type Mechanism.

USTA has proposed a scheme under which the Joint Board and the Commission would limit the amount of the universal service fund to the total cost of implementation of a particular network model, and develop a method of apportioning that amount among the states. Comments of USTA at 6-10. Schools would only get funding if they submitted plans that met criteria established by the Commission and implemented by state-level administrative bodies, and even then only if there were funding available. Once the state's funding allocation had been reached, no further funding would be available. In other words, USTA has proposed something very much like a block grant. Several carriers, including NYNEX, BellSouth and GTE, have proposed similar plans.¹

¹ The USTA plan has the apparent virtue of recognizing and controlling costs. "But cost recognition alone does not address the intent of Congress. It is clear that universal service, comparable technology, and comparable pricing were also primary Congressional concerns." Comments of the South Dakota Public Utilities Commission at 3.

Section 254(h), however, does not permit such an approach, for three reasons. First, as discussed above, Section 254 establishes an obligation to provide "universal service," not "selective service." By including schools and libraries in a new "universal service" mechanism, Congress implicitly intended the benefit to be available to all, not only to those who get their applications in before the money runs out.

Second, Section 254(h)(1)(B) requires all telecommunications carriers to provide discounted services to schools and libraries "upon a bona fide request . . ." As the letter from the co-sponsors of Section 254(h) says, every bona fide request must be honored. By interpreting the term "bona fide," to mean "qualified," USTA and others are importing a new concept into the Act, which was not intended by the drafters. "Bona fide" actually means merely "good faith" or "genuine," and the Act does not provide for or contemplate a complicated process for determining the good faith or genuineness of a request. Therefore, the Act gives the Commission no authority to establish complicated certification or application requirements that would limit the eligibility of a school or library for discounted rates.

Third, the Act states that payment is to be made directly to the carrier out of the universal service fund, not to the institution requesting service. Section 254(h)(1)(B). Nowhere does the Act mention the use of a grant process to decide which entities will receive funding, or the issuance of vouchers entitling a school district to a certain dollar value of service. The USTA proposal calls for a state administrator to "disburs[e] the appropriate funding to each school and library . . ." Comments of USTA at 9. This is clearly not permitted by the law. NYNEX attempts

to avoid this problem by giving each school or library what amounts to a credit or voucher, rather than a direct cash payment. Comments of NYNEX at 22, n. 38. This mechanism amounts to a grant to the user, however, even if it superficially complies with the terms of Section 254(h)(1)(B) by transferring cash only to the carrier. Any such proposal is directly contrary to the intent of the Act and is not justified by the language of the Act.

B. The Act Does Not Contemplate State-Level Review or Require Compliance with Any State-Level Plan.

The USTA and related proposals would impose an additional level of bureaucratic review that is unnecessary and neither provided for nor contemplated by the Act. Further, such interposition of state educational authorities would be an unconstitutional delegation of Federal authority unauthorized either by Section 410(a) of the 1934 Act or by Section 254. As discussed above, universal service is supposed to be a means of delivering certain services to the parties that need those services, and the Act clearly contemplates that services will be made available to schools and libraries upon request. Despite this, USTA and others would require any school that wants services to first submit an application to a state-level entity. Comments of USTA at 8-9. That entity would review the application and determine whether it met certain requirements -- only if it did would the school or library be permitted to purchase discounted services.

We object to this proposal for three reasons. First, it would create a new cumbersome bureaucracy to do what local procurement procedures can do perfectly adequately. Second, it would inject the Commission and state public utility

commissions directly into educational policy, since it would be the Commission that would have to decide what state-level entities would be permitted to review the applications. The Commission has no jurisdiction over such matters, and has neither the authority nor the expertise to decide who should approve grants or on what criteria they should be based. Neither do the state telecommunications regulators. Third, each school and library district would have to either hire new staff or impose new burdens on existing staff to prepare the new applications. This process would inevitably become a new permanent requirement, as plans would presumably have to be updated to ensure continued funding.

We support the comments of the Idaho Public Utilities Commission, at pp. 12 and 17, which point out a number of the flaws of such a plan.

**C. The Proposals of USTA and Some Local Exchange Carriers
Would Benefit only Those Schools and Libraries that
Least Need the Benefits Provided by the Act.**

The flawed nature of the USTA and like proposals becomes obvious when one considers their likely effect on schools and libraries in rural, high-cost and poor areas. Many such districts must spend disproportionate amounts of money on access to telecommunications, making it more difficult for them to acquire hardware and other facilities needed to maintain a high level of technology. Other districts, particularly in suburban areas, may have greater funding available for hardware, training and the like because their telecommunications services costs are generally lower. In addition, more affluent districts are able to afford higher levels of technology because their overall funding is generally higher.

The USTA plan cleverly notes that there are seven items needed to provide telecommunications services in schools and libraries: connectivity, inside wire, hardware, software, training, removal of cultural and social barriers, and ongoing operations support. USTA then proposes that its members pay only to support telecommunications services,² and goes on to propose that under the state review process schools and libraries be required to submit a "comprehensive plan" showing how they will cover the costs of all seven components. Comments of USTA at 8.

Under USTA's proposal, therefore, affluent and suburban areas will benefit disproportionately, just as they do in the current system. As a rule, those districts will be able to demonstrate that they have complied with whatever funding plan would be established by the Joint Board and the Commission, because they are more likely to have invested in hardware, software and training. Thus, they will be more likely to qualify for a grant to pay for connectivity. And they are more likely to be able to afford to put together an attractive grant proposal or plan that will catch the attention of the state administrative body making the grants.

Finally, a state approval requirement injects state politics into what ought to be a local procurement decision. We fear that the USTA plan would degenerate into a contest for political favors, with funding going only to those localities that had

² Incidentally, we note that a number of commenters would exclude internal networks from the list of eligible services. We reiterate that such networks are within the scope of services contemplated by the law because the Act specifically provides for service to *classrooms*, and those services are necessary if the legislation is to serve its purpose. Section 254(h)(2).

particular influence with the approving body. It seems unlikely, in most cases, that this would lead to support going to those communities that most needed it.

Thus, the proposal of USTA and similar plans will not provide universal service, and will not benefit the institutions that the Act was intended to help.

III. THE COALITION'S PROPOSAL WILL ENCOURAGE COMPETITION.

The Coalition's proposal not only meets the Congressional goal of ensuring that all schools and libraries that want access to modern telecommunications services are able to obtain access, but it also meets the goal of promoting competition for local exchange service and other services that would be covered under the definition of special services.

A. By Providing for the Solicitation of Bids from All Telecommunications Carriers, the Coalition's Proposal Will Encourage Participation by Service Providers other than the LEC.

Under the Coalition's proposal, any school or library district would be permitted to issue a request for proposals, requesting competitive bids for one or more telecommunications services. Any entity willing to provide such services would be entitled to bid. Presumably, the provider of the lowest cost technology for a given area would be able to underbid the other service providers and win the contract. Because service providers will be guaranteed to recover their costs under either the benchmark method or the TSLRIC approach, service providers will have an incentive to bid at their costs. Thus, new service providers will be encouraged to compete against the local exchange carriers for business.

As one example, the costs of asbestos removal and installation of internal networks in older buildings may make wireless technology a competitive alternative in the educational market. Once in place, such providers would have a base from which to expand their services to surrounding areas in competition with wireline carriers.

As another example, the National Cable Television Association ("NCTA") reports that 73% of schools and 81% of students currently receive free cable in the classroom. Comments of NCTA at n. 12. In other words, the vast majority of schools are already served by a one-way broadband network. Cable operators may be able to provide two-way services by installing cable modems and routing equipment to connect their school networks to the public switched network. A local exchange carrier, on the other hand, would have to install not only a broadband connection to the school but miles of internal wiring to compete with a cable operator. If cable operators can convert their networks at a low enough cost, they may be able to underbid the LEC in competing for school and library business, because they will only have to recover the cost of the conversion, and not of the entire network.³

³ Continental Cablevision gives a detailed description of its involvement in delivering advanced telecommunications capabilities to schools, arguing that this indicates that there is no need for a large universal service fund. Comments of Continental at 5-7. This may well be true, if cable operators are prepared to bid for services and can convert their networks to switched operation at reasonable cost. Tele-Communications, Inc. goes further, however, and claims that "even rural schools do not need federal subsidies" to purchase telecommunications services. Comments of TCI at 23. This is simply untrue, as indicated by the comments of the South Dakota Public Service Commission and the Wisconsin Department of Public Instruction.

(continued...)

Cable operators should not, however, receive support or compensation for free services they are already required to provide to schools and libraries under their franchise agreements with local governments. See comments of NCTA at 18 (stating that any discount off prevailing market price meets the Act's requirements, apparently even if free services are already being provided). Indeed, we believe that they would have an incentive not to try to recover those costs in an effort to underbid competitors for the service. If this proves not to be the case, however, cable operators should only be compensated for the additional investment required to convert their school-based networks to switched, two-way networks.

As far as the LEC's are concerned, the Coalition's proposal represents an opportunity to increase their market share. If they are able to serve a school or library district at the lowest cost, they will be providing additional services to entities that are currently not being served at all. Furthermore, by using schools and libraries to introduce new services, they will create demand for these services by others in the community.

In short, the Coalition's proposal promises to create a huge new customer base that is not served by any entrenched monopoly at a time when new competitors are

³(...continued)

We disagree, therefore, that no subsidy will be required, and that market mechanisms are all that is required. The truth of these claims remains to be seen, and depends largely on the willingness of operators like Continental and TCI to enter the fray of true competition.

poised and looking for new markets to enter.⁴ There is every reason to believe that there will be fierce competition for this new market, if the Commission adopts the right set of rules. On the other hand, if institutions have a limited range of services from which to choose and are forced into complicated bureaucratic selection processes, they are more likely to make conservative choices to satisfy grant reviewers, and those choices may not always be economically rational.⁵

B. Permitting Aggregation of Service on the Broadest Basis Possible Will also Encourage Competition by Making It Possible To Pool Demand and Attract Outside Carriers.

Many commenters agree with the proposition that aggregation should be permitted on a broad geographic basis. We also believe, as stated by Apple Computer, Inc., that aggregation should be permitted among different types of entities. Comments of Apple at 6-7. As noted by the Washington Utilities and Transportation Commission ("WUTC"), the use of demand aggregation and partnerships makes the provision of advanced services to remote areas more economically feasible. Comments of WUTC at 17.

⁴ The California Department of Consumer Affairs ("CDCA") argues that the Commission can best serve the interests of schools and libraries by providing incentives for the development of a fiber optic broadband network. Comments of CDCA at 21-22. We believe that the two goals complement one another -- and that promoting the growth of school and library networks will enhance competition and the growth of the network in general. See Comments of the Governor of South Dakota at 4.

⁵ We also would point out that the Coalition's proposal does not constitute a Fifth Amendment taking of property dedicated to public access by the carriers, because the carriers will always have an opportunity to recover their marginal costs. Thus, although their profits from jurisdictional services may be reduced, they will never be faced with an actual economic loss that might be considered a taking.

While public institutional telecommunications users should not be permitted to sell or resell capacity or services, there are many instances in which aggregation with noneligible users should still be permitted. For instance, if a library and school district combine to establish a local educational network, the utility of such a network would be greatly enhanced if local government agencies or institutions of higher education had access to it. We believe that allowing an eligible entity to recover the costs associated with such shared use of a network should not be considered the sale or resale of services or capacity so long as the network is predominantly used by public institutional telecommunications users for educational purposes.⁶

We also agree with WUTC's statement that interpreting Section 254(h)(3) too narrowly "may limit or even impose an outright prohibition on many demand aggregation arrangements." Comments of WUTC at 15. The comments of the Mendocino Unified School District offer an excellent example of how demand aggregation can be used to deliver services to all segments of a community in a remote area. Forcing schools and libraries to operate separate networks may make it impossible to bring together enough users to make any network viable. The statute should not be construed to require any entity eligible for special services to forego the benefits of those services. Any small benefit to the private sector should be

⁶ NCTA makes a similar proposal, but would require other users to pay a pro rata share of network costs at non-discounted prices. Comments of NCTA at 19. We again caution that cable operators and other service providers should not be permitted to avoid their franchise obligations to provide free service to governmental entities merely because they are also using the same networks to serve schools and libraries.

considered as more than offset by the benefit to the educational community. Comments of the Idaho Public Service Commission at 11, 13.

Finally, we support the Missouri Public Service Commission's ("MoPSC") proposal to define the term "library" to include community information networks, and to treat any consortium that includes a rural school as a "rural" entity. Comments of MoPSC at 15, 20.

C. The Coalition's Proposal Also Encourages Competition by Allowing Each School or Library District To Select Its Own Provider if It Chooses, Rather than Being Tied to a Larger Carrier-Based Service Area.

We wish to clarify that the Commission should not adopt any proposal that might limit competition by creating an incentive to deal solely with the LEC, or that would establish service areas in which all schools and libraries would be required to obtain service from a particular carrier. We are unaware of any proposal that explicitly provides for such a mechanism but some commenters, such as Southwestern Bell Telephone Company, appear to be calling for geographically-based universal service areas that might apply to schools and libraries. Such forced packaging is not permitted by the statutory language, which requires all carriers serving an area to provide services, upon request. Section 254(h)(1)(B).

The only context in which a school or library should be assigned to a particular carrier's service area is for the provision of services in the event that a school or library district issues an RFP for a service for which there is no tariff and receives no bids. In that case, as discussed below, there must be a means for ensuring that

service is provided, and a geographically-based carrier of last resort should be designated to provide the service.

D. The Coalition's Proposal Enhances Competition by Making All Services Available at Discounted Rates.

As we stated in our initial comments, the Joint Board should not recommend that the Commission merely classify a few particular services as special services. Instead, the full range of services currently being used in schools and libraries should be eligible for the discount. Having a range of services available at different prices will ensure that schools and libraries make rational economic decisions by not requesting services that exceed their requirements. By building in this economic rationality, the Commission also will be able to enhance competition by increasing the range of service providers who can provide services. Creating only a handful of services might allow a few providers to dominate the market, but allowing for greater selection may permit the creation of niche markets. These niche providers will compete with each other and with larger providers and will contribute to an overall reduction in the cost of service.

Indeed, promoting competition in general will tend to reduce costs and thus tend to reduce the level of contributions to the universal service fund.

IV. THE COALITION'S PROPOSAL IS SIMPLE TO ADMINISTER.

The Coalition's proposal minimizes the role of outside regulatory bodies in the delivery of services to schools and libraries, and relies to the greatest degree possible on existing administrative structures. This ease of administration will encourage